

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of:

REFINED BROWN ALUMINUM OXIDE FROM  
CHINA

)  
) Investigation No.:  
) 731-TA-1022  
) (Preliminary)  
)

Pages: 1 through 62

Place: Washington, D.C.

Date: December 11, 2002

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Wednesday,  
December 11, 2002

Room 101  
U. S. International  
Trade Commission  
500 E St., SW  
Washington, D.C.

The conference commenced, pursuant to Notice, at  
9:30 a.m., before the Commissioners of the United States  
International Trade Commission, LYNN FEATHERSTONE, Director  
of Investigations, Presiding.

## APPEARANCES:

On behalf of the International Trade Commission:

Staff:

LYNN FEATHERSTONE, Director of Investigations  
GEORGE DEYMAN, Supervisory Investigator  
JAMES McCLURE, Investigator  
KAREN DRISCOLL, Attorney/Advisor  
NANNETTE CHRIST, Economist  
JUSTIN JEE, Auditor/Accountant

## ADDITIONAL APPEARANCES:

IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING  
DUTIES:

PETER WILLIAMS  
President  
Washington Mills Co., Inc.

DON McLEOD  
Vice President - Marketing and Sales  
Washington Mills Co., Inc.

FRED SILVER  
President  
Exolon Company, a division of Washington Mills  
Co., Inc.

BERNDT DURSTBERGER  
Chief Executive Officer  
Treibacher Schleifmittel Corporation;  
Chief Operating Officer  
C-E. Minerals

TIM McCARTHY  
President  
C-E Minerals

HARVEY PLONSKER  
President  
AGSCO Corporation

WEBB KANE  
President  
Midvale Industries, Inc.

THOM BELL  
Vice President and Sales Manager  
Precision Finishing, Inc.

GARY WATERHOUSE  
President, Local 4447-6  
United Steelworkers of American

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Washington, D.C.

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1 investigation.

2           Individuals speaking in support of and in  
3 opposition to the petition are typically allocated one hour  
4 each. In this case, we have only the petitioner group that  
5 will addressing the Commission this morning.

6           The chair may ask questions of speakers either  
7 during or after their statements. However, no cross-  
8 examination by parties or questions to opposing speakers  
9 will be permitted -- standard statement, sorry. At the  
10 conclusion of the statements there is opportunity for  
11 closing or rebuttal statements, closing in this case, I  
12 guess.

13           This conference is being transcribed and the  
14 transcript will be placed in the public record of the  
15 investigation. Accordingly, speakers are reminded not to  
16 refer in their remarks to business proprietary information,  
17 and to speak directly into the microphones. Copies of the  
18 transcripts may be ordered by filling out a form which is  
19 available from the stenographer. This proceeding is also  
20 being shown within the building on closed-circuit  
21 television.

22           You may submit documents or exhibits during the  
23 course of your presentations. However, we will not accept  
24 materials tendered as business proprietary. All information  
25 for which such treatment is requested must be submitted to

1 the Secretary in accordance with Commission Rule 201.6. Any  
2 documents that are letter-size and copiable will be accepted  
3 as conference exhibits and incorporated in the record as an  
4 attachment to the transcript. Other documents that you  
5 would like incorporated into the record should be submitted  
6 with your post-conference brief.

7           Speakers will not be sworn in. However, you are  
8 reminded of the applicability of 18 U.S.C. 1001 to false or  
9 misleading statements, and to the fact that the record of  
10 this proceeding may be subject to court review if there is  
11 an appeal. Finally, we ask that you state your names and  
12 affiliations for the record before beginning your  
13 presentations.

14           Are there any questions?

15           (No response.)

16           MR. FEATHERSTONE: If not, welcome Mr. Schagrin,  
17 please proceed.

18           MR. SCHAGRIN: Thank you, and good morning, Mr.  
19 Featherstone, and members of the Commission staff.

20           For the record, my name is Roger Schagrin of the  
21 law firm of Schagrin Associates, and we are counsel to  
22 petitioner C-E Minerals, Treibacher Schleifmittel  
23 Corporation of North America, and Washington Mills Company.

24           We are very pleased, even though there is no one  
25 in opposition to the antidumping duties speaking today, we

1 know how important it is for the Commission to have a solid  
2 record upon which to make its preliminary determination, and  
3 thus we are very pleased that we have a significant group of  
4 witnesses here today. We have a number of executives  
5 representing the petitioning companies. This group of  
6 executives has over 100 years of experience in this  
7 industry, and I am sure can answer the Commission's  
8 questions. And as representing petitioners, they probably  
9 represent somewhere in the range of 80 to 90 percent of U.S.  
10 industry production.

11 We also have a union local president from the  
12 United Steelworkers of America, and we are very pleased to  
13 have three major customers, three distributors, and these  
14 three distributors also have significant experience in this  
15 industry. They have together over 50 years of experience in  
16 distributing brown aluminum oxide grain.

17 Let me begin first with the legal housekeeping  
18 details which the Commission always needs to address in  
19 every case, and I would first start with like product.

20 We believe that the Commission should find that  
21 there is one like product in this investigation which  
22 corresponds exactly to the scope of the Department of  
23 Commerce investigation as published yesterday; that is,  
24 refined brown aluminum oxide. It's referred to by its  
25 customs tariff classification as artificial corundum, which



1 is known as brown aluminum oxide or fused brown alumina.  
2 And these refined products are normally ordered in grit  
3 sizes of three-eighths-inch or smaller.

4           The crude aluminum oxide, which the petitioners at  
5 this table would utilize and which sits in front of me and  
6 will be described more by Peter Williams in his testimony,  
7 is a completely different produce. That's why we brought  
8 samples. I think you can see clearly how different the  
9 products are, and the crude aluminum oxide is not produced  
10 in the United States. There is no production facility in  
11 the United States producing the crude brown aluminum oxide,  
12 and is only used by those can crush it. So we believe it's  
13 a very different like product from the refined brown  
14 aluminum oxide that is the scope of the investigation.

15           In addition, we believe the ITC should find that  
16 brown aluminum oxide is different from purer forms of  
17 aluminum oxide abrasives, such as the white and pink, and we  
18 would be happy to discuss that further during the course of  
19 today's hearing.

20           The second housekeeping detail is to discuss the  
21 definition of the domestic industry. This is our first time  
22 as counsel and the Commission's first time as the Commission  
23 in investigating this particular industry.

24           We are uncertain as to whether or not a company  
25 called Great Lakes Minerals, which is a division of ALCOA,

1 it's 50 percent owned by ALCOA, should be treated as part of  
2 the domestic industry. We believe that Great Lakes Minerals  
3 is today a significant importer of refined brown aluminum  
4 oxide for sale to customers as well as having some crushing  
5 operations and crushing crude.

6           We will, of course, learn more about the amount of  
7 imports and the amount of domestic production of this  
8 company from their questionnaire response, and should then  
9 be able to comment further confidentially in our post-  
10 conference brief based on the legal and factual criteria  
11 established by the Commission for determining whether or not  
12 a company that is also a significant importer should be  
13 considered part of the domestic industry.

14           The data which the Commission has thus far on the  
15 record clearly demonstrates that the domestic industry  
16 producing brown aluminum oxide is being materially injured  
17 by reason of increased imports. Imports of this product  
18 more than doubled from 26,000 tons in 1999 to 62,000 tons in  
19 2001, the subject imports from China. While the absolute  
20 volume of subject imports declined in interim 2002, so did  
21 demand in the U.S. market.

22           The subject import market share almost doubled  
23 between 1999 and 2001, and remained extremely high in 2002,  
24 nearly double the 1999 Chinese import market share at the  
25 beginning of the POI.

1           Virtually all of the indicators for the domestic  
2 industry fell significantly over the entire POI. Domestic  
3 productions, shipments and capacity utilization all fell  
4 dramatically. Employment levels fell by approximately 20  
5 percent. Revenues fell significantly. The financial  
6 condition of the industry was weak throughout the entire  
7 POI.

8           We believe the Commission will find that  
9 underselling on both an AUV basis and for the two specific  
10 pricing products will be very large.

11           As you will hear in direct testimony, the  
12 underselling by imports caused price depression and  
13 suppression for the domestic industry, which has a material  
14 negative impact on financial returns. This industry was  
15 injured by imports over the entire POI as demonstrated by  
16 the deterioration of all other indicators of injury.

17           There is also a set of unique conditions of  
18 competition that occurred during the POI that temporarily  
19 shielded the industry somewhat from the entire impact of the  
20 dramatic surge of low-priced dumped Chinese imports. Let me  
21 mention some of these conditions of competition briefly now.

22           Throughout the last 1990, the Defense Logistics  
23 Agency sold its stockpile of both crude and refined, but  
24 mostly crude brown aluminum oxide. The sales of crude brown  
25 aluminum oxide were primarily purchased by the domestic

1 industry. The DLA disposition of very large amounts of  
2 crude aluminum oxide at very low prices significantly  
3 enhanced the domestic industry's cost competitiveness.  
4 These DLA crude sales have now ended completely.

5           So this was a condition of competition that  
6 occurred and had a significant impact during the POI, but  
7 which is now ended and will no longer help shield the  
8 industry from the Chinese competition as we go forward.

9           A second condition of competition and a notable  
10 event in this industry is that in August 2001 Washington  
11 Mills purchased Exolon, a major domestic producer. This  
12 will be discussed by both Messrs. Williams and Silver.

13           Finally, a third significant condition of  
14 competition for the Commission to consider is the purchase  
15 of Treibacher Schleifmittel in 2000 by Imerys, a French  
16 company. Imerys is the parent of C-E Minerals, and C-E  
17 Minerals was a major importer of Chinese refined brown  
18 aluminum oxide.

19           As Treibacher represented a major U.S. production  
20 asset for Imerys, the decision was made for C-E to cease  
21 being the importer of subject products, and to instead  
22 install limited domestic production capability. This last  
23 condition of competition caused a temporary reduction in the  
24 import increases. However, numerous other importers of  
25 subject products from China are quickly rushing to fill the

1 void.

2           As stated earlier, I am confident that the  
3 Commission will make an affirmative preliminary injury  
4 determination. All of the production and employment injury  
5 indicators fell over the three-year period and during the  
6 interim period. Profitability and profit markets fell over  
7 the three-year POI, and remained poor in the interim period.

8           If, however, the Commission feels that it must  
9 turn to threat of injury issues, then we believe that the  
10 record will support a finding that the threat of injury to  
11 industry is both real and imminent. This industry is  
12 clearly weak and susceptible to increased injury from  
13 increased imports.

14           The Chinese industry has vast excess capacity.  
15 Imports from China have surged rapidly into the U.S. market  
16 and the record will support findings that there is  
17 significant underselling of the domestic industry by these  
18 Chinese imports. Chinese are selling a very substitutable  
19 product that is in all respects the same as the U.S.  
20 product, and they are selling it on a price bases at prices  
21 will below U.S. prices.

22           Given this combination of circumstances, it is  
23 very likely that imports from China will increase in the  
24 future in terms of both volume and market share at prices  
25 which would cause real and imminent threat of injury to the

1 U.S. industry.

2 I am pleased to introduce Mr. Peter Williams,  
3 President of Washington Mills Company.

4 MR. WILLIAMS: Good morning, Mr. Featherstone, and  
5 members of the Commission staff.

6 For the record, my name is Peter Williams, and I  
7 am President of Washington Mills Company, Incorporated.

8 Washington Mills was founded in 1868. It is still  
9 a family-owned business. I have been with the company for  
10 42 years. Washington Mills has three domestic facilities;  
11 one in North Grafton, Massachusetts; one in Niagara Fall,  
12 New York; and our Exolon division in Tonawanda, New York,  
13 where we crush, sieve, grade, and package what is commonly  
14 known as brown aluminum oxide, refined brown aluminum oxide,  
15 commonly known as grain. We also have two facilities in  
16 Canada where we produce crude ore, and refined brown  
17 aluminum oxide grain.

18 We have some chunks here of what crude ore looks  
19 like, and the grain are in these vials in front of me.

20 Crude ore and brown aluminum oxide grain are two  
21 different products. First, crude ore is not produced in the  
22 United States. If it were, we would have to make it in  
23 different facilities. A company needs an electric arc  
24 furnace to fuse aluminum oxide from bauxite.

25 Secondly, as you can see from the samples set out

1 before me, crude products are physically different from  
2 grain products.

3 Finally, our customers cannot use crude pieces.  
4 Only producers with crushing capabilities can utilized crude  
5 aluminum oxide to produce grain.

6 Other varieties of refined aluminum oxide are also  
7 different from brown. White and pink aluminum oxide are  
8 much purer forms in terms of chemistry, ranging from 99.5  
9 percent to 99.9 percent versus a normal range for brown of  
10 93 to 97 percent.

11 The different products must be produced in  
12 different plants and different equipment for contamination  
13 reasons. Because white and refined prices are nearly double  
14 those for brown, these products are only used where  
15 absolutely required.

16 Brown aluminum oxide is one of Washington Mills'  
17 principal products, accounting for a significant part of our  
18 revenues. We purchased Exolon Company for a fraction of its  
19 asset value in August 2001. Had we not purchased it, Exolon  
20 would have gone bankrupt. Our plans were to help to  
21 consolidate the industry, restore pricing power, cut costs,  
22 and make both Washington Mills and Exolon profitable again.

23 The more than doubling imports from China during  
24 this period ruined our plans. We did cut costs and we did  
25 rationalize production between Washington Mills and Exolon.

1 Moreover, we ended Exolon's pricing strategy of trying to  
2 match Chinese prices to sustain their volume. However, we  
3 gained no pricing power as the surge in imports from China  
4 and the growth of their market share driven by their low  
5 prices is now the most significant factor affecting the U.S.  
6 market.

7           Indeed, our tremendous loss of market share caused  
8 us to lay off a significant portion of our workforce. There  
9 is no doubt in my mind that without the one time windfall of  
10 being able to purchase significant quantities of DLA  
11 stockpiled crude ore in 1999 and 2000, we would not have  
12 been able to withstand this Chinese onslaught and steep  
13 financial losses in the product line would have caused us to  
14 shut down one or maybe two U.S. facilities.

15           Our vice president of marketing will explain the  
16 marketing of brown aluminum oxide in greater detail.  
17 However, in general, I have witnessed the Chinese take over  
18 much of the refractory market seven or eight years ago.  
19 Then three to four years ago we saw the Chinese make major  
20 in-roads into the abrasives market, selling through trading  
21 companies to major producers of grinding wheels and  
22 sandpaper.

23           Finally, in just the last year or two we saw the  
24 distributor market that sells brown aluminum oxide and many  
25 other products to the industry markets buying more Chinese



1 imports as well.

2           Essentially Washington Mills has nowhere left to  
3 turn. If the government doesn't impose dumping duties  
4 against unfairly traded imports from China, our history of  
5 134 years of service to U.S. industry may not be able to  
6 continue.

7           Thanks for your consideration.

8           MR. SCHAGRIN: Thank you, Mr. Williams.

9           I would now like to introduce Berndt Durstberger,  
10 the Chief Executive Officer of Treibacher Schleifmittel, and  
11 the Chief Operating officer of C-E Minerals. Berndt.

12           MR. DURSTBERGER: Good morning, Mr. Featherstone,  
13 and members of the Commission staff.

14           As Roger said, my name is Berndt Durstberger, CEO  
15 of Treibacher Schleifmittel North America, and COO of C-E  
16 Minerals, both subsidiaries of Imerys.

17           Treibacher is a worldwide producer of minerals for  
18 the abrasive industry. C-E Minerals is likewise a producer  
19 of minerals most for the refractory industry. Treibacher  
20 has manufacturing facilities in Niagara Falls, New York,  
21 where we produced refined brown aluminum oxide grain; and we  
22 have a white aluminum oxide production facility in  
23 Andersonville, Georgia.

24           C-E Minerals is a sister company of Treibacher,  
25 100 percent common ownership, and has a plant in Newell,

1 West Virginia, which produces the subject products. I am  
2 joined here today by Tim McCarthy, the President of C-E  
3 Minerals.

4 I have been with Treibacher in Niagara Falls for  
5 eight and a half years. In 1996, we built a \$9.5 million  
6 crushing and sizing facility in Niagara Falls, which we  
7 believe is the most modern and most efficient production  
8 facility for refined brown aluminum oxide in the world.

9 I witnessed a tremendous surge in Chinese imports  
10 of brown aluminum oxide grain over the past several years.  
11 We at Treibacher made the decision not to lower our selling  
12 prices to compete with low Chinese import prices.  
13 Subsequently, we have lost very significant volumes at  
14 Treibacher in each of the last four years.

15 This lost volume has caused our per unit cost to  
16 increase and therefore, even while we held prices relatively  
17 stable, our profits have fallen significantly.

18 C-E Minerals had been a major importer of brown  
19 aluminum oxide grain from China. In July 2000, Imerys  
20 purchased Treibacher worldwide operations. As part of the  
21 post-merger business plan discussions, the decision was made  
22 to cease C-E's imports of brown aluminum oxide grain into  
23 the United States which were in competition with  
24 Treibacher's production.

25 Subsequently, C-E made a minimal investment,

1 approximately twentieth of the investment which we made in  
2 Niagara falls, to produce only brown aluminum oxide grain  
3 for a few refractory customers.

4 To give you an idea in comparison to Treibacher or  
5 Washington Mills, which produce hundreds of different sizes  
6 of brown aluminum oxide, C-E only makes three or four sizes  
7 for a few refractory customers.

8 This recent change in C-E's business plan has  
9 probably had a short-term impact on Chinese imports of  
10 grain. However, there is no question in my mind that with  
11 the huge excess capacity in China to produce brown aluminum  
12 oxide grain and their ridiculously low prices other  
13 importers will quickly rush to fill in this void.

14 In fact, our bonded abrasive customers,  
15 Treibacher's bonded abrasive customers who make grinding  
16 wheels and who make up the majority of our business report  
17 getting at least one new offer per week from importers of  
18 Chinese brown aluminum oxide grain. Unfortunately, we are  
19 in the process of slowly but surely losing these customers  
20 and our distributors to imports of Chinese brown aluminum  
21 oxide grain.

22 If the U.S. Government does not impose antidumping  
23 duties on these imports, we will not only fail to obtain a  
24 return on our investments made in our plants in the United  
25 States, but the very continuation of the operation of these

1 facilities is threatened.

2 Therefore, I respectfully request that this  
3 Commission make an affirmative injury determinations in this  
4 investigation. Thank you.

5 MR. SCHAGRIN: Thank you, Berndt.

6 I now would like to introduce Fred Silver, the  
7 President of Exolon Company, a division of Washington Mills.  
8 Fred.

9 MR. SILVER: Good morning, Mr. Featherstone, and  
10 members of the Commission staff.

11 For the record, my name is Fred Silver, and I am  
12 President of the Exolon Company, a division of Washington  
13 Mills.

14 Exolon was founded in 1914, and I have been the  
15 President since 1996. I have been in the abrasive industry  
16 for 33 years. We produce brown aluminum oxide in our  
17 Tonawanda, New York, and silicon carbide in both our  
18 Hennipel, Illinois and Tonawanda facilities.

19 Exolon focused its aluminum oxide sales on a broad  
20 range of uses similar to Washington Mills, but we had a  
21 larger portion of our sales in the refractory market.  
22 Between 1998 and 2001, we saw Chinese pricing to our largest  
23 customer cut from 24.5 cents a pound to 13.5 a pound. We  
24 reduced our prices by almost a third over this period to try  
25 and maintain the business. But by 2001, we threw in the

1 towel and lost the business. This lost sales has been  
2 reported with confidential particulars in the petition.

3 Exolon was unable to renew its credit facilities  
4 in 2000 and 2001 because of our poor financial picture which  
5 was caused by imports from China.

6 Increases in productivity and cost-cutting could  
7 not keep up with the falling prices in brown aluminum oxide.  
8 When we couldn't chase prices down anymore, we didn't have  
9 the volume to operate efficiently. Having become  
10 unprofitable and being on the verge of default of  
11 bankruptcy, we were very happy to arrange a merger with  
12 Washington Mills. Since that merger facilities and  
13 production have rationalized and our employment has been  
14 drastically reduced as Gary Waterhouse will later testify.

15 Exolon was a petitioner in silicon carbide in  
16 1994. We lost the final ITC vote. The Commission should  
17 know that the results of this negative vote was a surge in  
18 imports from China that caused our silicon carbide sales to  
19 drop by a half.

20 If we lose this case, this could be the end for a  
21 wonderful historic company. Thank you.

22 MR. SCHAGRIN: Thank you, Fred.

23 I would now like to introduce Don McLeod, the Vice  
24 President of Marketing and Sales of Washington Mills.

25 MR. McLEOD: Good morning, Mr. Featherstone, and

1 members of the Commission staff.

2           For the record, my name is Don McLeod, and I am  
3 the Vice President of Marketing and Sales at Washington  
4 Mills. I am in charge of all sales for Washington Mills and  
5 Exolon. After our acquisition of Exolon, we combined the  
6 two sales departments into one. I have been in the industry  
7 for 29 years, and with Washington Mills for the past 16.

8           We sell to three main groups of customers:  
9 refractory producers, bonded and coated customers, i.e.,  
10 grinding wheel and sandpaper manufacturers, and general  
11 industrial customers. Virtually all of our customers in the  
12 first two categories buy directly from manufacturers or  
13 importers while almost all of the general industrial  
14 customers buy from distributors. These distributors, in  
15 turn, buy from either producers or importers.

16           The refractory producers tend to buy a relatively  
17 coarse or a macro group of sizes. They buy in large  
18 quantities on an annual contract basis, and demand pricing  
19 close to or the same as the Chinese product.

20           After we purchased Exolon, we decided to end  
21 Exolon's practice of trying to match Chinese prices to the  
22 refractory industry, and gave up most of the refractory  
23 business.

24           The bonded and coated business is also an annual  
25 contract business negotiated prior to the end of the year.

1 These customers buy a range of sizes from coarse to micro  
2 grid. During the past three years we have lowered our  
3 prices to many of these bonded and coated customers because  
4 of Chinese competition.

5 Yet despite lowering prices, I would estimate that  
6 we have lost one-quarter of our business with bonded and  
7 coated customers since 1999. Because some major importers  
8 of Chinese brown aluminum oxide are now stocking inventories  
9 in the United States, we no longer possess delivery time  
10 advantages over the Chinese.

11 The third segment of the market is served by  
12 distributors that stock our product and import product to  
13 sell to industrial users. These users are generally  
14 supplying a range of our products for auto, aerospace and  
15 consumer good sectors. Prices in the industrial user  
16 segment of the market tend to be on a spot basis, and change  
17 as distributors and customers constantly look for better  
18 prices.

19 The Chinese have lowered their prices  
20 significantly to distributors in the past two years, and for  
21 that matter, just the past two months, and we are always  
22 faced with decisions about meeting our distributors  
23 competitive or walking away from the business.

24 As vice president of marketing in a product like  
25 this, I can just tell you the Chinese have unfairly competed

1 and without dumping relief our company cannot continue as a  
2 viable supplier of brown aluminum oxide. Thank you.

3 MR. SCHAGRIN: Thank you, Don.

4 It is now my pleasure to introduce Gary  
5 Waterhouse, who is the President of Local 4447-06 of the  
6 United Steelworkers of America.

7 Before Gary gives his testimony about the specific  
8 causal impact of the imports of this product, brown aluminum  
9 oxide grain from China on employment at the plant where Gary  
10 is the head of the local, I think it should be pretty clear  
11 to the Commission and the Commission staff, based on last  
12 Friday's unemployment reports, that the entire manufacturing  
13 sector of this economy is losing jobs at an almost record  
14 rate, and clearly there is a causal relationship with the  
15 ever-mounting trade deficit in manufactured product imports  
16 from China and reduced employment in the manufacturing area,  
17 and this case is just one example of the subject of this  
18 Commission's investigation of a direct relationship between  
19 increased imports and employment losses in this industry.

20 Gary.

21 MR. WATERHOUSE: Good morning, Mr. Featherstone,  
22 and members of the Commission staff.

23 For the record, my name is Gary Waterhouse. I am  
24 President of Local 4447-06 of the United Steelworkers of  
25 America. We represent the union workforce at Exolon.



1           My brothers in PACE, the Petroleum Atomic Chemical  
2 Employees Union, represent the workers in Washington Mills  
3 and Treibacher in Niagara Falls.

4           I have been with the company for 17 years. Over  
5 the past two years total employment at Exolon in Tonawanda  
6 has falling from 125 to 38, and the union workforce has gone  
7 from 75 to 30.

8           As you know, dumped imports from China have  
9 doubled over this period and robbed us of our jobs. In  
10 fact, in 2002, the Department of Labor certified that  
11 increased imports were the cause of our job losses.  
12 Therefore, we qualified for the trade adjustment assistance.

13           As Fred told you, our union did everything  
14 possible working with management to increase productivity,  
15 reduce costs, and save job. We were unsuccessful because of  
16 the imports from China.

17           I am here today to ask for relief from dumping so  
18 that we can keep our remaining 30 jobs, but most  
19 importantly, so that our laid-off workers can be rehired to  
20 replace dumped Chinese imports with products made in Exolon.

21           Thank you very much.

22           MR. SCHAGRIN: Thank you, Gary.

23           Now, Mr. Featherstone, I am pleased to have a  
24 panel of three distributor witnesses who are responsible for  
25 distributing these products to the industrial market. We

1 will begin with Harvey Plonsker, the President of AGSCO  
2 Corporation.

3 MR. PLONSKER: Good morning, Mr. Featherstone, and  
4 members of the Commission staff.

5 For the record, my name is Harvey Plonsker, and I  
6 am the President of AGSCO Corporation.

7 We are a processor and distributor of industrial  
8 minerals. Our company was founded in 1888. I have been  
9 with the company since 1980. We have two locations, one in  
10 the Chicago area, and one in the New York area.

11 As a distributor, we purchase in bulk from the  
12 abrasive grain manufacturers, and then sell to industrial  
13 users generally in less than truckload quantities. We  
14 distribute brown aluminum oxide grain typically in 50-pound  
15 bags or 400-pound drums.

16 As long as we ship the correct grain size and the  
17 right amount, most of our customers do not care and in fact  
18 do not even know who produced the brown aluminum oxide they  
19 are receiving. One thing they do care very much about is  
20 our price.

21 We have purchased both domestic and brown aluminum  
22 oxide also from China. The only reason that we have  
23 purchased the Chinese product is because their prices are  
24 much lower than our principal domestic supplier, Washington  
25 Mills. We asked Washington Mills to reduce its price to us

1 and over the past few years they have lowered their prices  
2 to keep us competitive with distributors who are selling  
3 Chinese brown aluminum oxide.

4           Having been in the business over 20 years, I would  
5 offer the following generalizations.

6           Fifteen years ago when brown aluminum oxide grain  
7 from China was first introduced into the U.S. market there  
8 were quality issues with the Chinese product and a  
9 significant amount of problems associated with inconsistent  
10 size grading of these products.

11           In the past several years, most of those problems  
12 have largely disappeared. The Chinese product is  
13 essentially equivalent in quality to the domestic product  
14 and it is being delivered according to the sizes order.  
15 Thus, at this point in time brown aluminum oxide is strictly  
16 a commodity sold on price.

17           Virtually all our customers are willing to buy  
18 Chinese brown aluminum oxide grain at lower prices. In  
19 fact, large industrial users, and I have been told the  
20 supplies to the General Electric have switched from buying  
21 only domestic brown aluminum oxide to buying Chinese brown  
22 aluminum oxide for large portions of their needs.

23           I can also tell you that there is a ever-growing  
24 plethora of sellers of Chinese brown aluminum oxide grain.  
25 We are constantly receiving new solicitations from Chinese

1 firms and U.S. importers offering us extremely attractive  
2 prices for Chinese brown aluminum oxide grain.

3 Thank you for the opportunity to present my  
4 testimony.

5 MR. SCHAGRIN: Thank you, Mr. Plonsker.

6 Now I would like to introduce Webb Kane, President  
7 of Midvale Industries.

8 MR. KANE: Good morning again, Mr. Featherstone,  
9 and members of the Commission staff.

10 For the record, my name is Webb Kane, and I am  
11 President of Midvale Industries of St. Louis, Missouri.

12 Our company was founded in 1901. We began as a  
13 foundry supply company, but with the decline in the foundry  
14 industry most of our business has shifted to the  
15 distribution of loose abrasives.

16 We sell abrasives across a variety of industries.  
17 Automotive and aircraft are two of our major markets. Our  
18 customers include Boeing, Raytheon, Delta Airlines, American  
19 Airlines; on the automotive side companies like Torrington  
20 Bearing, Parker Hanifin, TRW, and numerous small producers  
21 of metal parts.

22 We have 11 stocking locations throughout the  
23 central and southern U.S. We do not buy Chinese brown  
24 aluminum oxide grain. We have to compete against other  
25 distributors for sales to users and are aware that other

1 distributors are selling Chinese grain.

2           For example, in a recent request for quote from a  
3 power turbine repair company we quoted a price of 48 cents a  
4 pound for the other, but lost the business to a distributor  
5 selling Chinese grain at 35 cents a pound, and this was a  
6 small user buying one ton of material.

7           We have been losing business to other distributors  
8 selling Chinese grain over the past few years. As our  
9 business declines, Washington Mills' business declines as  
10 well. I am very concerned that if something is not done  
11 about dumped aluminum oxide from China, that we will lose  
12 our domestic supply availability of this most important  
13 product.

14           Thank you for your time.

15           MR. SCHAGRIN: Thank you, Mr. Kane.

16           I would now like to introduce Thom Bell, the Vice  
17 President and Sales Manager of Precision Finishing.

18           MR. BELL: Good morning, Mr. Featherstone, and  
19 members of the Commission staff.

20           For the record, my name is Thom Bell. I am Vice  
21 President and Sales Manager as Precision Finishing,  
22 Incorporated. The company was founded in 1955. I have been  
23 in the business for 25 years.

24           Precision Finishing is a distributor of equipment  
25 supplies to manufacturers that use metal finishing in their

1 processes located in the mid-Atlantic area. We are also a  
2 user of the abrasives as a metal finisher. Example, we sell  
3 to companies that manufacture auto parts for the car  
4 company.

5 I have a number of salespeople on the road who  
6 report to me. About five years ago a lot of the sales  
7 reports were coming back and reporting competitive price  
8 quotes from other distributors to our customers. These  
9 competing quotes were for Chinese brown aluminum oxide grain  
10 that was available at much lower prices.

11 As a result, we decided that we needed to buy  
12 Chinese product to stay competitive. We were selling  
13 Chinese product to our customers at prices that were less  
14 than the cost of the materials from Washington Mills.

15 After Washington Mills lost so much of our  
16 business, shared the cost of our purchases from China with  
17 them, they lowered their prices to us. Because they lowered  
18 their prices, we are able to sell Washington Mills' product.

19 Thank you very much for the opportunity to present  
20 my testimony.

21 MR. SCHAGRIN: That completes our testimony, Mr.  
22 Featherstone. I would ask your indulgence and that of the  
23 Commission staff, I was going to do this in my closing  
24 statements, but without any opposition I don't really think  
25 I am going to be giving a rebuttal this morning, as much as

1 I'll miss that.

2           It's my understanding that this could very well be  
3 your last conference at the Commission because you are  
4 planning on retiring on January, and I think I can speak on  
5 behalf of the trade bar, I don't think I would have any  
6 opposition from anyone in the trade bar as to these issues,  
7 in thanking you for all of your long service at the  
8 Commission. You have always handled yourself with an  
9 incredible amount of decorum in a very professional manner,  
10 and I think you are well known for having always been  
11 completely fair to all petitioners and respondents that have  
12 come before you.

13           In my 21 years of practice in the international  
14 trade area, I have worked with hundreds of very fine  
15 government officials at the ITC, the Department of Commerce,  
16 USTR, Customs, and I don't think any of them have ever  
17 fulfilled their positions as well as you have, with no  
18 offense to them. But there has just been a certain level to  
19 your professionalism that really stands out.

20           And of course also having dealt for 20 years with  
21 many people in the Office of Investigations, you are  
22 probably the only boss in town, public or private sector,  
23 upon which I have never heard a complaint from anybody that  
24 works for you, and that, of course, is quite a compliment.

25           And I think one of the great compliments to your

1 position is that whoever fills your shoes, as difficult as  
2 they will be to fulfill, I presume they will come from one  
3 of the supervisory investigators, whether it will be George  
4 or someone else, and the fact is you have done such a good  
5 job that any of them could take over your position and keep  
6 the Commission working smoothly.

7 I have had the chance over the years to meet with  
8 very many business people who have met with you first, some  
9 of them have filed cases, some of whom have not filed cases,  
10 but they have always said in meeting with you that you have  
11 helped them to understand the processes here.

12 And so finally, on behalf of myself and the bar, I  
13 would like to wish you good health most importantly, and the  
14 best of luck in any endeavor you choose to follow after you  
15 leave the Commission. We thank you for your service.

16 Now we are ready to answer your questions.

17 MR. FEATHERSTONE: Thank you, Mr. Schagrin, and  
18 all of the witnesses for your presentations, thank you very  
19 much.

20 Mr. McClure.

21 MR. McCLURE: First, I want to second mr.  
22 Schagrin's remarks.

23 Now, moving on to a few questions. With regard to  
24 our establishing apparent consumption, this product enters  
25 under 28181020 of the HTS. Now, there are other products,



1 the pink and white grain, I believe, in that. Anything  
2 else?

3 MR. SCHAGRIN: No, those are the basic ones.

4 MR. McCLURE: Okay. And what would be an educated  
5 estimate as to what portion of that HTS number is accounted  
6 for by the brown grain?

7 MR. WILLIAMS: Educated guess, Mr. McClure?

8 MR. McCLURE: Yes.

9 MR. WILLIAMS: Eighty-five percent --

10 MR. McCLURE: Okay.

11 MR. WILLIAMS: -- would be brown grain.

12 MR. McCLURE: And Mr. Durstberger, would you agree  
13 with that?

14 MR. DURSTBERGER: I would have said as high as 90  
15 percent.

16 MR. McCLURE: Okay. Mr. Schagrin, with regard to  
17 threat issues, is there currently an antidumping order in  
18 the EU?

19 MR. SCHAGRIN: Actually, Mr. McClure, there had  
20 been an antidumping order in effect in the EU, but that was  
21 sunset in the middle of October of 2002, and I would invite  
22 Mr. Durstberger to talk about some of the issues surrounding  
23 that sunset since Treibacher is the major producer of these  
24 products in Europe.

25 Mr. Durstberger?

1           MR. DURSTBERGER: It is correct that antidumping  
2 duties in the European Union expired in October of this  
3 year. Treibacher has 13 production facilities worldwide.  
4 There are four in Europe that produce brown aluminum oxide  
5 so we have a very vested interest in protecting the European  
6 market, if you wish to say so. Washington Mills likewise  
7 has a plant in the U.K.

8           What we had observed over these past five years  
9 was that there was a very weak enforcement occurring in  
10 Europe which we saw Chinese imports continue pouring into  
11 Europe unhindered basically through falsified country of  
12 origin certificates, material coming from South Africa and  
13 Vietnam where we know there is no production.

14          Hence, our conclusion was in order to protect the  
15 honest customers who did not cheat the correct thing, the  
16 proper thing to do as a producer was to say the material is  
17 coming in anyhow, and we do not support an antidumping duty  
18 that protects the cheaters and hurts honest people who do  
19 not resort to buying cheaper Chinese imports, and I think  
20 our opinion was heard being the major producer in Europe was  
21 the decisive.

22          MR. McCLURE: What was the level of the duty that  
23 was in place?

24          MR. DURSTBERGER: It was 240 euro per metric ton.

25          MR. McCLURE: Okay. What other sources of brown

1 grain are there coming into the United States aside from  
2 China?

3 MR. WILLIAMS: There are a number of countries  
4 that export to the United States; Brazil, for example, some  
5 from Canada, some from Europe, but by far the largest bulk  
6 of the imports is from China.

7 MR. McCLURE: What are the sources of the white  
8 and pink from outside the U.S.?

9 MR. WILLIAMS: From outside the U.S., I think Mr.  
10 Durstberger's firm produces white in Venezuela and also the  
11 European country. There is some white coming in from other  
12 places as well, but that's the bulk of it.

13 MR. DURSTBERGER: I would agree that the imports  
14 of refined oxide grain in the white and pink, especially the  
15 aluminum oxides are mostly from Europe, with also -- which  
16 is Treibacher and a French competitor called Pecheney, the  
17 aluminum group. Then there are also imports of white and  
18 pink aluminum oxide from Brazil.

19 The majority of the brown aluminum oxide imports  
20 into the U.S., and I would -- I would probably say 96  
21 percent -- this is just a guess now -- would be from China.  
22 Production costs in Europe are higher than in the United  
23 States. And if we cannot compete with local production,  
24 there is no way we can compete with European production.

25 And there is very little imports from Brazil, I

1 think, of brown; it is mostly white and pink for the same  
2 reason.

3 MR. McCLURE: And Mr. Williams mentioned your  
4 operation in Venezuela. Is that mostly white?

5 MR. DURSTBERGER: It is exclusively white.

6 MR. McCLURE: Okay. For right now, I think that's  
7 most of what I had. I thank all of you for your testimony.

8 MR. FEATHERSTONE: Ms. Driscoll.

9 MS. DRISCOLL: Thank you, Mr. Featherstone. And  
10 of course, Mr. Featherstone is very widely appreciated in  
11 the Commission as well, Mr. Schagrin.

12 I, first of all, want to say that I see for myself  
13 that there are two primary like product issues here that I  
14 see at this point: crude versus the brown refined aluminum  
15 oxide, and the brown refined aluminum oxide versus the white  
16 and the pink.

17 And I would just ask, Mr. Schagrin, if in your  
18 post-conference brief if you could treat both of those  
19 issues on the traditional six like product factors which I  
20 know you are very well acquainted with.

21 MR. SCHAGRIN: We would be happy to do so.

22 MS. DRISCOLL: Furthermore, in terms of -- and one  
23 thing I would like to know about, particularly with the pink  
24 and the white, is manufacturing differences, employee  
25 differences, whether they are made by the same companies,

1 whether they are used in the same market. And I have got  
2 some question I wanted to ask perhaps of the industry  
3 experts in a minute.

4 Also, I have a cold, so if anyone can't understand  
5 me, just ask again.

6 Another question in terms of related party issue,  
7 from what I gathered from your statement was that at this  
8 point you don't have enough information to really make a  
9 statement as to whether you believe that the company that  
10 you mentioned that was an importer, whether you take the  
11 position that they should or should not be a related party.

12 MR. SCHAGRIN: That's correct. We don't have  
13 enough information at this point. We would hope to comment  
14 confidentially in our post-conference brief after receiving  
15 their questionnaire responses.

16 MS. DRISCOLL: All right. I understand.

17 Since the Commission has not, as I understand,  
18 reviewed this product in the past, I would like to ask some  
19 questions from -- I think Mr. Williams discussed the product  
20 the most.

21 My understanding, and believe me, tell me if I am  
22 incorrect because I have tried to get this from the petition  
23 and the other filings, there is natural aluminum oxide and  
24 this is refined aluminum oxide that's created industrially,  
25 and then brown aluminum oxide is one of the forms of that,

1 correct?

2 MR. WILLIAMS: That's correct.

3 MS. DRISCOLL: Okay. And there is white and pink  
4 as well. There is crude that's further ground into the  
5 brown or the pink or the white; would that be correct?

6 MR. WILLIAMS: Correct.

7 MS. DRISCOLL: Okay.

8 MR. WILLIAMS: You must produce the crude  
9 separately.

10 MS. DRISCOLL: Okay, okay.

11 MR. WILLIAMS: For each product.

12 MS. DRISCOLL: Okay. So the natural and the crude  
13 are completely different. You don't start with the natural  
14 and it's completely different. It's an industrially made  
15 product; is that correct?

16 MR. WILLIAMS: Absolutely.

17 MS. DRISCOLL: Okay. So I take it those samples  
18 you have there, will the Commission be able to keep those to  
19 look at them themselves?

20 MR. WILLIAMS: Yes.

21 MS. DRISCOLL: Okay. Are they in any way labeled?

22 MR. WILLIAMS: Yes.

23 MS. DRISCOLL: Okay, I couldn't see them. All  
24 right. Okay, I just wanted to make sure because they have  
25 the written record and that's all that they have. It's very

1 helpful when we have the samples.

2           There was some statements in the petition I just  
3 wanted to ask a few questions about. There is a statement  
4 in an article from "Industrial Minerals" that said that  
5 there is a -- this is in 2001, that there is a conjunction  
6 of high energy cost, fierce Chinese competition, and  
7 weakening markets.

8           Now, I would assume you would agree with the  
9 second statement. And my question is, what about the first  
10 and the third? Do you think that the energy costs are high  
11 and whether you think the market -- do you think it's a  
12 weakening market, is demand weakening for this product? And  
13 I will take anyone who wants to answer that.

14           MR. WILLIAMS: Let's address the energy first.  
15 Over a long period of time energy costs have risen, but the  
16 energy cost is not too significant in the production of  
17 refined brown aluminum oxide grain. Energy cost is very  
18 significant in the production of crude ore.

19           MS. DRISCOLL: I see.

20           MR. WILLIAMS: But the crude ore is not made in  
21 this country.

22           MS. DRISCOLL: I see.

23           MR. WILLIAMS: Our plants are in Canada.

24           MS. DRISCOLL: Okay. Is there a reason that you  
25 import the crude in particular? Is there a reason it is not

1 produced here, let me ask it that way?

2 MR. WILLIAMS: I'm sorry, I couldn't --

3 MS. DRISCOLL: Is there a reason it's not produced  
4 in the United States? I mean, is there a reason you import  
5 it rather than produce it, or do you just not produce it  
6 just as a business decision?

7 MR. WILLIAMS: The crude ore plants were built  
8 many years ago in Canada largely to take advantage of the  
9 then prevailing low energy costs.

10 MS. DRISCOLL: Okay. All right. I have -- well,  
11 I asked the other question then about the market, about the  
12 weakening market. Did you want to comment on that, whether  
13 you think demand is --

14 MR. McLEOD: Your question again?

15 MS. DRISCOLL: Well, the question was there is an  
16 article attached to the petitioner, and one of its thesis  
17 was that there are three major factors, and this is from  
18 2001, but I am just wondering, one of the things that it  
19 mentioned was that the market was weakening, and whether you  
20 thought that -- in other words, is demand for this product  
21 going up or down?

22 MR. McLEOD: I think the demand for this product  
23 is down. Part of it is based on economy. There is less  
24 metal being produced in this country. Our product is an  
25 intricate product in metal finishing. So with the lack of



1 the metal being produced in this industry, the economy also  
2 bringing it down, the demand for our products have gone  
3 down.

4 MS. DRISCOLL: Okay. Just sort of an sedgy from  
5 that, would you say that -- I mean, I understand that there  
6 is, or what I have seen is that there is two segments of  
7 this market that have been discussed in the petition and at  
8 the conference, abrasives and refractory. And I understand  
9 refractory. I have worked on a blast furnace coke case, so  
10 that would be the bricks in the blast furnace, the ovens,  
11 the batteries. Okay, so that's how it would be used.

12 In the abrasives, would it be used, for example,  
13 to polish up steel, for example, plate? When you say  
14 abrasives, is that what you are talking about?

15 MR. PLONSKER: Yes. It's polishing steel. It's  
16 grinding steel, it's finishing steel, and when we talk of  
17 abrasives it's grinding wheels and sandpaper primarily.

18 MS. DRISCOLL: Okay. So when you are saying it's  
19 abrasive, it's being used to polish up metals of perhaps  
20 just about any kind of metal?

21 MR. McLEOD: Correct, and it's used not just  
22 polishing but grinding, cutting metal, there is many.

23 MS. DRISCOLL: Okay. So there is something in  
24 aluminum oxide that chemically can break down a metal so  
25 that it can polish it, would that be --

1           MR. McLEOD: The answer would not be chemically,  
2 but aluminum oxide is a very tough, durable product that has  
3 characteristics when you are finishing or polishing that if  
4 it be a grinding wheel, if it be a sandpaper product that  
5 the aluminum oxide will continue to fracture and create a  
6 new grinding surface to attack the metal --

7           MS. DRISCOLL: I see.

8           MR. McLEOD: -- to whatever degree that you want  
9 it to.

10          MS. DRISCOLL: Okay. That's very helpful to  
11 understand the product there.

12          MR. SCHAGRIN: Ms. Driscoll, I would just invite  
13 one of our distributors to comment.

14          MR. KANE: As Don has intimated, the applications  
15 for aluminum oxide are extremely wide. As I discussed, we  
16 go into aircraft industry, automotive industries, and we  
17 sell quick set locks, for example, anyone making any sort of  
18 metal parts can use aluminum oxide in some fashion or form.

19                But we are and have in the past two years been in  
20 what we would consider a deep recession in manufacturing,  
21 and there has been some significant losses in manufacturing  
22 capacity in this country from countries like China have  
23 taken some of the metal-working business as well.

24                So in our market and what we are faced with is the  
25 fact that we are in a basically a deep depression in our

1 market. Other distributors are reporting 20 percent plus  
2 drops in sales levels because of the economy, and then to  
3 further that we are attacked with this material being dumped  
4 on our market and our pricing power has gone completely  
5 away, and we are losing market share, significant market  
6 share to the Chinese aluminum oxide.

7 MS. DRISCOLL: Are there other substitutes that  
8 also contributing to taking away the market?

9 MR. KANE: No.

10 MS. DRISCOLL: So you don't think there are any  
11 effective substitutes for the brown grain aluminum oxide?

12 MR. KANE: There may be in some very small  
13 applications, but that's one of the beauties of this  
14 product, it's been around a long time, it's very durable, it  
15 is very hard, and it is very aggressive and can cut very  
16 effectively. The use cost of aluminum oxide is much better  
17 than virtually all of the other abrasives on the market.

18 MS. DRISCOLL: Okay. I think I have some  
19 questions for Mr. Schagrin. You mentioned -- I think I know  
20 the answer to this, but you believe that average unit values  
21 can be used with respect to this product; would that be  
22 correct?

23 MR. SCHAGRIN: Yes, we believe they can a good  
24 indicator of the differences, that the Chinese imports are  
25 in all segments of the market, and the U.S. industry also

1 sells to all segments, so we think that average unit values  
2 can be used for underselling. And we think the comparison  
3 on an average unit value basis will probably be similar to  
4 the comparison on the particular pricing products chosen.

5 MS. DRISCOLL: Even though it does seem like there  
6 is some difference between the coarser grains and the finer  
7 grains.

8 MR. SCHAGRIN: That is correct. There is a  
9 difference in pricing between the coarser and the finer  
10 grains. But in terms of product mix the domestic industry  
11 sells a mix of coarser and finer grains, and the imports  
12 from China also have a similar mix of coarser and finer  
13 grains.

14 MS. DRISCOLL: Okay. Do you have an idea of the  
15 size of -- I'm moving to threat now -- to size of the  
16 industry in China at all, or what their industry is like?  
17 Is it a lot of small companies? Is it a lot of large  
18 companies?

19 MR. SCHAGRIN: We have an idea and I will let the  
20 experts in this area comment. Our best idea comes from that  
21 same article that you were referring to.

22 MS. DRISCOLL: All right.

23 MR. SCHAGRIN: You know, where they have an  
24 industry in the range of five - six hundred thousand tons.  
25 It seems to have been growing rapidly, and where most of

1 their production is for export instead of use within China.

2 I would invite anyone from Washington Mills or Mr.  
3 Durstberger to talk about the Chinese industry.

4 MR. WILLIAMS: We have a small office in Beijing.  
5 We have a Chinese direct employee there, and his job is  
6 basically to inform us of what is going on, and to source  
7 material for us in China, such as bauxite, which is the raw  
8 material that we use to make the crude ore.

9 So we think we have a fair understanding of what's  
10 going on in China. In fact, one of our executives just  
11 returned from a three-week trip in China, working with our  
12 employee there.

13 Our belief is and our employee's belief is that  
14 the Chinese production of brown aluminum oxide is somewhere  
15 in the order of 800,000 to a million, perhaps as high as a  
16 million tons annually, so it's an absolutely vast  
17 production.

18 MS. DRISCOLL: And do you have a --

19 MR. WILLIAMS: Large and small producers. There  
20 is a mix of state-owned corporations which are quite large,  
21 exceeding our company's total capacity, and there are also  
22 an unknown number, but a very large number of small  
23 producers who are owned in one way or another, or owe their  
24 existence to the local governments in their areas.

25 MS. DRISCOLL: Mr. Featherstone, that concludes my

1 questions.

2 MR. FEATHERSTONE: Ms. Christ.

3 MS. CHRIST: I just have one quick question for  
4 the panel. At one point you mentioned that about 15 years  
5 ago when the Chinese product first entered the U.S. market,  
6 at that time you were able to compete based on advantages in  
7 delivery time. But since then that advantage has  
8 diminished.

9 Could you speak to other types of service-oriented  
10 aspects that allow you to have a competitive advantage in  
11 providing your product to your customers?

12 MR. SCHAGRIN: I'll invite the panel to answer  
13 that. But Ms. Christ, I believe that came from Mr.  
14 Plonsker's testimony, and I actually think that his  
15 testimony wasn't about delivery schedules. I think Mr.  
16 McLeod addressed delivery schedules. But when he mentioned  
17 15 years ago, he was talking mostly about quality.

18 The fact that when it first entered the market 15  
19 years ago the Chinese had quality problems, and then an  
20 issue of the integrity of their grain sizes, or consistency  
21 of their sieving. You will see that -- everything in these  
22 different jars. They are supposed to be about the same  
23 size, about the same grit size. That's what customers want.  
24 They want 80 percent of a product to be a certain grit size,  
25 And originally Chinese had problems in that area.

1           I think it's the view of the entire domestic  
2 industry, and I will invite the industry to answer this  
3 question, Mr. McLeod and possibly Mr. Durstberger, that any  
4 advantages that the U.S. industry vis-a-vis Chinese  
5 competition have largely disappeared in the last several  
6 years, including quality. The qualities are the same.  
7 These products are now made to ANSI specifications, and a  
8 lot of customers ask for certifications, and both Chinese  
9 producers and U.S. producers will certify that their product  
10 has met the standards of the standard-setting body.

11           And that while, depending on the source from  
12 China, sometimes the product has to be ordered in advance  
13 and have a longer lead time. There are also importers who  
14 are stocking the product here, and thus they would deliver  
15 on the same basis from their inventories of Chinese imports  
16 that U.S. producers would from their inventories of their  
17 domestic production.

18           Mr. McLeod, do you have anything to add?

19           MR. McLEOD: The advantages that we once had are  
20 no longer there. And as Roger had mentioned, quality,  
21 delivery are not an issue anymore. The material that's  
22 coming in here is of quality that can be used in all of the  
23 markets. They are making the product and certifying the  
24 product to customer specifications.

25           The delivery issues have pretty much gone away

1 because importers, traders, distributors who are utilizing  
2 the product are bringing the material in in large amounts  
3 and they warehousing materials, so they can have next  
4 day/same day service.

5 And another issue that we are up against is that  
6 the environmental controls that we have here in the United  
7 States do not exist in China. So they actually can wash  
8 their material, they can acid treat their material, which  
9 would clean the material to a degree that we don't have the  
10 capabilities of doing here, or we are hand tied because of  
11 the restrictions in order to produce a product like this.

12 MS. CHRIST: I'm sorry. Chemically treat the  
13 material? Does that in any way change the product? You  
14 said it's cleaner than what you can produce here.

15 MR. McLEOD: By treating it in an acid wash, for  
16 instance, you are taking out some of the impurities that are  
17 in there. So there might be an application out there that  
18 requires the product to this purity level.

19 MS. CHRIST: Would that be in the same type of  
20 purity index as you used to distinguish the products before?

21 MR. SCHAGRIN: No. Only because we discussed it.  
22 I think what Mr. McLeod is pointing out is that in the  
23 United States the U.S. producers can't acid wash their  
24 products because of environmental restrictions. We don't  
25 want that going into the water streams where their factories



1 are located.

2 But in China, some of the Chinese producers are  
3 using this. It would not bring it to the purity levels of  
4 the pink or white. Those are truly separate products. But  
5 they can inform a customer that we can give you a somewhat  
6 cleaner brown aluminum oxide grain because we can acid wash  
7 in China, and it is my understanding that U.S. producers for  
8 environmental protection reasons are not allowed to use acid  
9 washing in their facilities.

10 It's not a large part of the market, but it is  
11 just something that, I guess, we wanted to make the point  
12 that not only is Chinese product at least the equivalent of  
13 quality of U.S. product, but in some respects some of the  
14 imports from China may be of even better quality than the  
15 U.S. product, and yet they are still selling at discounts of  
16 50 percent or more to the U.S. product.

17 And the only reason for that isn't any qualities  
18 of crude or bauxite, et cetera, it's just that they can  
19 perform an additional process that cannot be performed in  
20 the U.S. for environmental regulation reasons.

21 MS. CHRIST: And what kind of purposes would this  
22 additional acid-treated product be useful for?

23 MR. DURSTBERGER: It would lower the iron content  
24 mostly, and that gives advantages in some applications; for  
25 example, vitrified grinding wheels, which are grinding

1 wheels. You don't want iron because it interferes with the  
2 resin which is used for bonding, for gluing the grain  
3 together. So it decreases the strength of the wheels, and  
4 therefore it creates an advantage of the grain.

5           To clarify the point, we could, of course, acid  
6 wash, and we could water wash the grain, but if by following  
7 U.S. or European guidelines, it would probably double our  
8 cost, and we are already being undercut by 50 percent. So  
9 it's not a matter of technical feasibility, but we also have  
10 a plant in China where we produce brown aluminum oxide. And  
11 when you go there you don't see the sun because there is  
12 obviously -- on sunny days, I'm sorry, I mean on sunny days  
13 you don't see the sun just because of all the pollution in  
14 the air. So we are not competing on equal level here in  
15 terms of if we wanted to acid wash, you need a very  
16 expensive water recycling system, et cetera. In China, it  
17 goes in the river.

18           So I can, of course, acid wash, but it will cost  
19 me probably another 30 cents a pound to do so, and I know  
20 that I am already being undercut by 50 percent.

21           So there is some applications where this creates  
22 advantages for the Chinese imports, and recently I have  
23 heard it from one very big importer to say that grain is  
24 water washed, which is not quite as expensive, and we can do  
25 it again, and it is done for silicone carbide products, for

1 example. It adds greatly to our costs.

2 But here we are faced with already uncompetitive  
3 production facilities completing against cleaner grain, less  
4 dust on the surface which means the resins sticks better to  
5 it. The grinding wheels hold together at higher speeds,  
6 hold together at higher speeds creating an advantage, and  
7 the grain is still much, much cheaper than our, which is not  
8 water washed. We could do it but it's not -- it's not  
9 economically feasible.

10 MS. CHRIST: Could you estimate when this product  
11 started entering the U.S.? Has it always been present, the  
12 water-washed or the acid-washed product?

13 MR. DURSTBERGER: The water-washed stories, I have  
14 started to hear probably two years ago, Don, and more  
15 recently this year, but it's not a great new flood of water-  
16 washed brown refined grain. But we do hear it.

17 Before we used, of course, to tell our customers  
18 our grain our grain is cleaner, et cetera. They say, no,  
19 no, the Chinese is water washed, and we made wheels with it,  
20 and they hold together better than with your grain.

21 MS. CHRIST: Okay. Could I ask the distributors  
22 also to comment on that question in terms of do you have  
23 customers who specifically request for water was or acid  
24 wash product?

25 MR. KANE: Most of the brown aluminum oxide we

1 sell is used in abrasive blasting operations where it's like  
2 sand blasting, when they do bridges, that sort of thing,  
3 it's done industrially, and there is no real need.

4 MR. BELL: Same thing for basically selling the  
5 loose grain for blasting and not selling abrasives for the  
6 grinding wheel.

7 MS. CHRIST: Thank you. That's all the questions.

8 MR. FEATHERSTONE: Mr. Jee.

9 MR. JEE: I have no questions, Mr. Featherstone.

10 MR. FEATHERSTONE: Mr. Deyman.

11 MR. DEYMAN: Good morning, I am George Deyman,  
12 Office of Investigations.

13 First, I would like to agree fully with the kind  
14 words expressed about Mr. Featherstone by Mr. Schagrin, Mr.  
15 McClure and Ms. Driscoll, and he has been my colleague in  
16 the Office of Investigations for 19 years, and has been my  
17 direct supervisor for 13 years, and I truly can't imagine a  
18 better supervisor. And I am very sorry to see you go, but I  
19 wish you well on your retirement.

20 With regard to my questions, the article from  
21 "Industrial Minerals" that you attached to Exhibit 33 of the  
22 petition states that brown grain, or as they called it,  
23 brown fused alumina, competes against and is blended with  
24 calcined clays and calcined bauxite.

25 To what extent, if any, are calcined clays and

1 calcined bauxites substitutes for the brown grain?

2 MR. SCHAGRIN: Mr. McCarthy?

3 MR. MCCARTHY: The brown fused alumina -- I'll  
4 talk strictly on the refractory side because that's the only  
5 side -- the brown fused alumina has specific applications,  
6 especially in blast furnace construction. We had a high, a  
7 very high density uniform bauxitic material that we set a  
8 plant up to produce to make compete with some brown fused  
9 alumina.

10 Unfortunately, the price on brown fused alumina  
11 when we built the plant was \$450 a ton, Chinese. It's now  
12 for the crude \$160 to \$170 a metric ton. So we have a big  
13 technical success on our hands, but an economic failure.

14 In other words, the price of brown fused alumina  
15 has come down since the early nineties from over \$400 a ton  
16 to like \$160 a ton on the crude. So we thought we would  
17 have a niche, that we could come in with a product at \$250 a  
18 ton and compete with the market. It didn't work because  
19 technically the brown fused is a good material. It used to  
20 be a somewhat higher priced material, but they knocked the  
21 price down 60 percent.

22 So I don't know if that answers your question, but  
23 the price of the brown fused has gone down so much that  
24 there is no incentive to look at these other substitutes.

25 MR. SCHAGRIN: Mr. Deyman, to summarize and put it

1 more in ITC terms, at the present time during this POI there  
2 really has been no competition between the calcined bauxite  
3 that you mentioned and brown fused aluminum oxide in the  
4 U.S. marketplace.

5 MR. DEYMAN: It's been reported that in Europe  
6 that the refined brown aluminum oxide has come into Europe  
7 not only on its own, but also has a blended mix with  
8 refractory raw materials such as calcined bauxite.

9 Do you know of any of that sort of thing occurring  
10 in the United States now or do you anticipate that would  
11 happen if antidumping duties are imposed on the product?

12 MR. MCCARTHY: I believe what happened is Europe  
13 is they put a 240 euro tax on brown fused alumina, and there  
14 were two ways of beating the system. One way of beating the  
15 system was you bring -- you change the bill of lading  
16 originated in Vietnam or South Africa that don't produce the  
17 material.

18 Another way of doing it was they would take the  
19 brown fused alumina, mix a little graphite in there and call  
20 it a finished product, and ship it in. And then when they  
21 would get it in a plant, they would rescreen and screen out  
22 the materials.

23 So there isn't real refractory production in China  
24 going into Europe. It was strictly a way to get around the  
25 240 euro duty, which if you start out with \$170 a ton

1 material is huge. It was just a way of beating the system.

2 MR. SCHAGRIN: And Mr. Deyman, we are going to  
3 further investigate. We have had some discussions about  
4 that issue, and we have had some early discussions with  
5 Customs because that is a practice that has never, to our  
6 knowledge, occurred on imports into the United States, and  
7 we have got to discuss with Customs their view of how much  
8 of products that would be mixed together would be necessary  
9 before the product would be classified in a different HTS  
10 and no longer considered brown aluminum oxide grain.

11 And so that is an issue that we are going to  
12 address, and it's one of those situations where you are  
13 addressing issues that have never before occurred in the  
14 importation of a product, but having to discuss possible  
15 circumvention even in advance, and of course, from our view  
16 it's just almost tragic.

17 The circumvention law in '88 was written as  
18 clearly as possible to address just those types of  
19 circumstances, and yet somehow the courts have missed the  
20 clear intent of the U.S. Congress and have almost completely  
21 vitiated the 1988 circumvention amendments.

22 These should be issues that no one should have any  
23 problem with because they should be covered by the  
24 circumvention provisions, but unfortunately, we now to have  
25 address them during the investigation phase before the

1 circumvention even begins and try to work out with Customs  
2 whether we have to change scope language and what their  
3 normal practices would be.

4 MR. DEYMAN: All right. Does the Chinese product  
5 require any further processing in the United States because  
6 of the quality maybe, the large size of the grain?

7 MR. DURSTBERGER: No, it does not.

8 MR. DEYMAN: This is something you could, Mr.  
9 Schagrín, discuss in the post-conference brief because it  
10 may indicate proprietary information, but the value added in  
11 the crushing and grinding and processing of the crude  
12 aluminum oxide into the refined product, if you could  
13 discuss the extent of value added which exists. You know,  
14 if you can do it briefly now --

15 MR. SCHAGRIN: We will do it in our post-hearing  
16 brief.

17 MR. DEYMAN: The article from "Industrial  
18 Minerals" in the petition mentions that Washington Mills has  
19 brown grain plants in Niagara Falls, Ontario, Canada, and a  
20 white and pink fused alumina plant in Niagara Falls, New  
21 York.

22 Do you produce the subject product, the brown  
23 product in Niagara Falls, New York?

24 MR. WILLIAMS: No, we don't. No.

25 Sorry. The refined brown grain, yes, we do.



1 MR. DEYMAN: You do.

2 MR. WILLIAMS: We do not produce the crude ore.  
3 The subject product we do produce in Niagara Falls, New  
4 York.

5 MR. DEYMAN: Could you, Mr. Schagrin, either now  
6 or in the post-conference brief explain any affiliations  
7 between the U.S. producers and firms in China that produce  
8 the product?

9 MR. SCHAGRIN: I'm sorry. The only affiliations  
10 is with Treibacher and either Mr. Durstberger could address  
11 that now or we can also address it in the post-hearing  
12 brief.

13 Mr. Durstberger?

14 MR. DURSTBERGER: Treibacher Schleifmittel has a  
15 subsidiary in China, which is an 85 percent owned joint  
16 venture. It produces brown fused aluminum oxide coat and  
17 grain.

18 MR. DEYMAN: Okay.

19 MR. DURSTBERGER: It's an old plant that we  
20 acquired and have refurbished mostly to service the Asian  
21 markets.

22 MR. DEYMAN: Okay. And I have one more question.  
23 This is for Mr. Kane of Midvale.

24 You mentioned, I believe, that you do not  
25 distribute the Chinese product at all; is that right?

1 MR. KANE: That is correct.

2 MR. DEYMAN: How do you compete given that the  
3 price is apparently so much lower for the Chinese product?

4 MR. KANE: We have been in this business a long  
5 time and have always tried -- there is a lot of other costs  
6 involved in manufacturing metal parts, and we have used what  
7 we call our technical sales approaches, and have been  
8 successful in the past.

9 But that's why I am here, because we are to that  
10 point where we cannot find a way to compete in any way,  
11 shape or form.

12 MR. DEYMAN: Okay, thank you. I have no further  
13 questions. Thank you.

14 MS. DRISCOLL: Karen Driscoll again. I have one  
15 further question for Mr. Durstberger.

16 Does your relationship with the firm in China,  
17 does it affect -- I mean, this is a related-party issue is  
18 what I am asking. Do you believe it affects how you're  
19 affected by the imports in China?

20 I guess, Mr. Schagrin, if you could discuss that  
21 in your post-conference brief. It seems to me there is also  
22 a related-party issue in terms of the affiliation with the  
23 company in China.

24 I guess my question is does it affect your -- I  
25 mean, are your company operations separate or is your

1 profitability affected by the imports from China from that  
2 affiliated company? I guess that's one of the questions.

3 MR. DURSTBERGER: The affiliated company does not  
4 import any refined brown aluminum oxide into the United  
5 States. We solely import crude from our own facility to our  
6 plant in the U.S.

7 MS. DRISCOLL: Okay.

8 MR. DURSTBERGER: If anything, it does not  
9 directly answer your question, but if anything, we are  
10 having the same problem in China; namely, that being a  
11 western producer in China, we have to actually pay our  
12 electricity bills, our bauxite bills, our people, our taxes,  
13 and we are fighting very much an uphill battle competing  
14 against Chinese producers in China and in Asia because we  
15 are being undercut there on a full-cost basis as well.

16 MS. DRISCOLL: Okay. But in terms of competition  
17 within in the United States, you are saying that you are  
18 only importing the crude?

19 MR. DURSTBERGER: Yes.

20 MS. DRISCOLL: And your operations aren't -- I  
21 mean, that company could be importing into the United States  
22 and probably does the refined, but that's separate from your  
23 operations in the United States?

24 MR. DURSTBERGER: It would be separate, but they  
25 in fact do not because we clearly say American to the

1 Americans, and China to the Chinese, so they do not sell  
2 into the -- we have one sales organization. We have  
3 different production facilities, but there is only one sales  
4 organization, and that is the North American one, so we  
5 decide whose grain we sell, and we have a manufacturing  
6 plant whose capacity we have to utilize here, so we sell  
7 American-made grain here in the United States.

8 MR. SCHAGRIN: Ms. Driscoll, I will address that.

9 MS. DRISCOLL: Okay.

10 MR. SCHAGRIN: The legal issues --

11 MS. DRISCOLL: Okay, thank you.

12 MR. SCHAGRIN: -- in the post-conference briefs.

13 MS. DRISCOLL: All right, thank you.

14 MR. McCLURE: I was all prepared at the end of  
15 this until just a few seconds ago to say in all the years  
16 Mr. Featherstone has been doing these conferences, and I  
17 have been coming to them, that we have never gotten through  
18 one where we didn't have to say turn on the microphone. You  
19 guys did wonderfully, everyone hit it, and Mr. Schagrin, you  
20 blew it.

21 (Laughter.)

22 MR. McCLURE: So a moment in history was almost  
23 there, but once again we had to say turn on the microphone,  
24 and now I will turn it off.

25 MR. FEATHERSTONE: With some trepidation, I guess

1 I should ask if you have a closing statement that you would  
2 like to make, Mr. Schagrin?

3 MR. SCHAGRIN: No, I do not.

4 MR. FEATHERSTONE: Okay.

5 MR. SCHAGRIN: I believe this panel has stated for  
6 the record everything it needs to, and I think if there is  
7 any commissioners watching, not only has this been the first  
8 time in my career that we have not had an opposing party. I  
9 understand it has happened in other conferences here at the  
10 Commission, but it's my first time. It's a little  
11 disappointing because then I don't get to make a closing  
12 statement in rebuttal, so I actually enjoy the competition.  
13 And I am sure that Hogan & Hartson on behalf of the Chinese  
14 producers will file a very vigorous post-conference brief,  
15 and that we will see them here before the commissioners in  
16 the final investigation.

17 But I have no closing statement or rebuttal  
18 statement to make today.

19 MR. FEATHERSTONE: Thank you for your very kind  
20 words, and to all the witnesses for your presentations as  
21 well as the responses to our questions. We are very  
22 appreciative.

23 A couple of real quick administrative reminders  
24 that the deadline for the submission of corrections to the  
25 transcript and briefs in the investigation is next Monday,

1 December 16. If briefs contain business proprietary  
2 information, a non-proprietary version is due the following  
3 day. The Commission is scheduled to vote on the  
4 investigation for 11:00 a.m. on January 6th, and it will  
5 report that determination to the Secretary of Commerce later  
6 that day. Commissioners' opinions will be placed in the  
7 public record and transmitted to Commerce a week later, on  
8 January 13.

9 Thank you again for your participation. This  
10 conference is adjourned.

11 (Whereupon, at 10:58 a.m., the conference in the  
12 above-entitled matter was adjourned.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Refined Brown Aluminum Oxide From China  
**INVESTIGATION NO.:** 731-TA-1022 (Preliminary)  
**HEARING DATE:** December 11, 2002  
**LOCATION:** Washington, D.C.  
**NATURE OF HEARING:** Preliminary Conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

**DATE:** December 11, 2002

**SIGNED:** LaShonne Robinson  
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Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

**SIGNED:** Carlos Gamez  
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I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

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